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2018 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Victor Khanye Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

General Information

Accounting Officer	S.T Matladi
Chief Finance Officer (CFO)	T.P Mahlangu
Members of the Council	E.N Makhabane - Executive Mayor R.K Segone - Speaker E.M Masilela - MMC PITS H.M Ngoma - MMC Fin & Corp R.D Yeko - MMC HSS K.V Buda - Council WHIP N.E Johnson J.D Makobolo T.G Malomane M.M Rautenbach E.M Sekhukhune L.K Semake M.M Sepenyane A. Smith S.S Thumbathi D.J Bath L.S Nyathi M.M Thombeni
Registered office	Municipal Building c/o Samuel and Van der Walt Street Delmas 2210
Bankers	The Standard Bank of South Africa Limited
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on page 5-74, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2018 and were signed on his behalf by:

Acting Accounting Officer
S.T Matladi

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Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	9	2 717 543	2 920 381
Other financial assets	7	142 349	130 896
Receivables from exchange transactions	10	837 000	2 965 914
Receivables from non-exchange transactions	11	2 931 034	1 492 860
VAT receivable	12	30 060 405	16 547 907
Consumer debtors	13	233 712 902	176 022 332
Cash and cash equivalents	14	4 839 698	9 875 931
		275 240 931	**209 956 221**
Non-Current Assets			
Investment property	3	42 387 760	48 709 269
Property, plant and equipment	4	969 075 023	1 024 972 077
Intangible assets	5	2 032 013	2 083 011
Heritage assets	6	1 074 503	1 074 503
		1 014 569 299	**1 076 838 860**
Total Assets		**1 289 810 230**	**1 286 795 081**
Liabilities			
Current Liabilities			
Other financial liabilities	16	4 136 656	3 024 516
Payables from exchange transactions	18	221 689 675	87 841 388
Consumer deposits	19	1 567 900	1 601 920
Employee benefit obligation	8	1 066 708	1 020 629
Unspent conditional grants and receipts	15	-	3 068 678
Provisions	17	5 022 000	2 273 136
Long Service Awards	44	587 379	512 126
		234 070 318	**99 342 393**
Non-Current Liabilities			
Other financial liabilities	16	7 024 291	11 168 956
Employee benefit obligation	8	46 378 569	41 686 965
Provisions	17	4 649 901	15 588 634
Long service awards	44	5 559 525	4 928 012
		63 612 286	**73 372 567**
Total Liabilities		**297 682 604**	**172 714 960**
Net Assets		**992 127 626**	**1 114 080 121**
Accumulated surplus		992 127 626	1 114 080 121

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* See Note 56

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	148 852 163	227 711 117
Rental of facilities and equipment	22	2 030 057	2 510 523
Interest received (trading)	45	41 177 243	63 970 749
Agency services	46	-	17 616 291
Licences and permits	52	-	2 433 786
Administration and management fees received		4 826	755 570
Fees earned		17 469	824 332
Commissions received		2 419 239	82 952
Discount received		-	39 232
Other income		757	524 573
Interest received -bank	55	280 292	1 220 531
Fair value adjustments		-	8 969
Total revenue from exchange transactions		**194 782 046**	**317 698 625**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	63 704 144	67 796 114
Transfer revenue			
Government grants & subsidies	25	114 006 188	111 507 297
Public contributions and donations	26	5 852 518	14 746 791
Fines and Penalties	51	13 410 069	1 138 472
Total revenue from non-exchange transactions		**196 972 919**	**195 188 674**
Total revenue	20	**391 754 965**	**512 887 299**
Expenditure			
Employee related costs	27	(138 475 178)	(126 109 575)
Remuneration of councillors	28	(7 725 859)	(6 914 884)
Depreciation and amortisation	29	(73 516 022)	(68 590 282)
Impairment loss	30	-	(4 109 264)
Finance costs	31	(2 145 996)	(1 154 269)
Lease rentals on operating lease		(2 149 660)	(2 765 977)
Debt Impairrment	32	3 198 252	(8 520 439)
Bulk purchases	33	(185 648 036)	(132 216 219)
Contracted services	34	(50 195 051)	(55 547 599)
Transfers and Subsidies	24	-	(1 260 699)
Loss on disposal of assets and liabilities		-	(2 700 571)
Inventories losses/write-downs		-	(60 866)
Operational Cost	35	(38 862 824)	(27 432 494)
Total expenditure		**(495 520 374)**	**(437 383 138)**
(Deficit) surplus for the year		**(72 061 957)**	**43 800 709**

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* See Note 56

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	**1 106 177 986**	**1 106 177 986**
Changes in net assets		
Surplus for the year	(16 320 631)	(16 320 631)
Total changes	(16 320 631)	(16 320 631)
Opening balance as previously reported	1 089 857 355	1 089 857 355
Adjustments		
Correction of errors	26 740 298	26 740 298
Restated* Balance at 01 July 2017 as restated*	**1 114 080 121**	**1 114 080 121**
Changes in net assets		
Surplus for the year	(72 061 957)	(72 061 957)
Total changes	(72 061 957)	(72 061 957)
Balance at 30 June 2018	**992 127 626**	**992 127 626**

* See Note 56

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		116 377 502	244 687 734
Grants		114 006 188	114 991 000
Interest income		280 292	1 220 531
Other receipts		13 410 069	1 138 472
		244 074 051	362 037 737
Payments			
Employee costs		(144 232 796)	(111 948 239)
Suppliers		(238 141 569)	(147 218 485)
Finance costs		(2 145 996)	(1 154 269)
		(384 520 361)	(260 320 993)
Net cash flows from operating activities	38	**(140 446 310)**	**101 716 744**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(11 925 528)	(34 544 762)
Proceeds from sale of property, plant and equipment	4	-	432 032
Proceeds from sale of investment property	3	-	1 101 177
Purchase of other intangible assets	5	-	(63 840)
Net cash flows from investing activities		**(11 936 981)**	**(33 075 393)**
Cash flows from financing activities			
Repayment of other financial liabilities		(3 032 525)	(2 275 599)
Movement in long service awards		706 766	(552 825)
Net cash flows from financing activities		**(2 325 759)**	**(2 828 424)**
Net increase/(decrease) in cash and cash equivalents		**(5 036 233)**	**(3 681 867)**
Cash and cash equivalents at the beginning of the year		9 875 931	13 557 798
Cash and cash equivalents at the end of the year	14	**4 839 698**	**9 875 931**

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* See Note 56

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	229 607 080	5 975 439	**235 582 519**	148 852 163	**(86 730 356)**	
Rental of facilities and equipment	2 370 181	-	**2 370 181**	2 030 057	**(340 124)**	
Interest received (trading)	29 335 584	-	**29 335 584**	72 880 695	**43 545 111**	
Other income	16 937 235	(11 435 686)	**5 501 549**	2 442 291	**(3 059 258)**	
Interest received - investment	1 397 437	-	**1 397 437**	280 292	**(1 117 145)**	
Gains on disposal of assets	24 306	-	**24 306**	-	**(24 306)**	
Total revenue from exchange transactions	**279 671 823**	**(5 460 247)**	**274 211 576**	**226 485 498**	**(47 726 078)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	73 029 168	7 000 000	**80 029 168**	63 704 144	**(16 325 024)**	
Transfer revenue						
Government grants & subsidies	114 006 001	-	**114 006 001**	114 006 188	**187**	
Public contributions and donations	-	-	-	5 852 518	**5 852 518**	
Fines, Penalties and Forfeits	3 002 491	10 245	**3 012 736**	13 410 069	**10 397 333**	
Total revenue from non-exchange transactions	**190 037 660**	**7 010 245**	**197 047 905**	**196 972 919**	**(74 986)**	
Total revenue	**469 709 483**	**1 549 998**	**471 259 481**	**423 458 417**	**(47 801 064)**	
Expenditure						
Personnel	(143 451 328)	-	**(143 451 328)**	(138 475 178)	**4 976 150**	
Remuneration of councillors	(8 198 487)	-	**(8 198 487)**	(7 785 665)	**412 822**	
Depreciation and amortisation	(25 363 638)	6 030 000	**(19 333 638)**	(53 566 079)	**(34 232 441)**	
Finance costs	(1 599 140)	(700 000)	**(2 299 140)**	(2 145 996)	**153 144**	
Lease rentals on operating lease	-	-	-	(2 149 660)	**(2 149 660)**	
Debt impairment	(35 342 651)	14 000 000	**(21 342 651)**	(3 198 252)	**18 144 399**	
Bulk purchases	(145 953 208)	(11 808 111)	**(157 761 319)**	(185 648 036)	**(27 886 717)**	
Contracted Services	(10 737 997)	(39 537 191)	**(50 275 188)**	(50 195 051)	**80 137**	
General Expenses	(94 335 287)	60 282 458	**(34 052 829)**	(38 862 824)	**(4 809 995)**	
Total expenditure	**(464 981 736)**	**28 267 156**	**(436 714 580)**	**(482 026 741)**	**(45 312 161)**	
Deficit before taxation	**4 727 747**	**29 817 154**	**34 544 901**	**(58 568 324)**	**(93 113 225)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**4 727 747**	**29 817 154**	**34 544 901**	**(58 568 324)**	**(93 113 225)**	

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	73 029 168	7 000 000	80 029 168	-		80 029 168	63 704 144		(16 325 024)	80 %	87 %
Service charges	229 607 080	5 975 439	235 582 519	-		235 582 519	148 852 163		(86 730 356)	63 %	65 %
Investment revenue	1 397 437	-	1 397 437	-		1 397 437	280 292		(1 117 145)	20 %	20 %
Transfers recognised - operational	114 006 001	-	114 006 001	-		114 006 001	72 949 000		(41 057 001)	64 %	64 %
Other own revenue	51 669 797	(11 425 441)	40 244 356	-		40 244 356	57 054 556		16 810 200	142 %	110 %
Total revenue (excluding capital transfers and contributions)	**469 709 483**	**1 549 998**	**471 259 481**	**-**		**471 259 481**	**342 840 155**		**(128 419 326)**	**73 %**	**73 %**
Employee costs	(143 451 328)	-	(143 451 328)	-	-	(143 451 328)	(138 475 178)	-	4 976 150	97 %	97 %
Remuneration of councillors	(8 198 487)	-	(8 198 487)	-	-	(8 198 487)	(7 785 665)	-	412 822	95 %	95 %
Debt impairment	(35 342 651)	14 000 000	(21 342 651)			(21 342 651)	(68 215 983)	-	(46 873 332)	320 %	193 %
Depreciation and asset impairment	(25 363 638)	6 030 000	(19 333 638)			(19 333 638)	(68 590 282)	-	(49 256 644)	355 %	270 %
Finance charges	(1 599 140)	(700 000)	(2 299 140)	-	-	(2 299 140)	(2 145 996)	-	153 144	93 %	134 %
bulk purchases	(145 953 208)	(11 808 111)	(157 761 319)	-	-	(157 761 319)	(185 648 036)	-	(27 886 717)	118 %	127 %
Other expenditure	(105 073 284)	20 745 267	(84 328 017)	-	-	(84 328 017)	(34 920 368)	-	49 407 649	41 %	33 %
Total expenditure	**(464 981 736)**	**28 267 156**	**(436 714 580)**	**-**	**-**	**(436 714 580)**	**(505 781 508)**	**-**	**(69 066 928)**	**116 %**	**109 %**
Surplus/(Deficit)	**4 727 747**	**29 817 154**	**34 544 901**	**-**		**34 544 901**	**(162 941 353)**		**(197 486 254)**	**(472)%**	**(3 446)%**

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Victor Khanye Local Municipality
Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-		-	28 191 408		28 191 408	DIV/0 %	DIV/0 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	5 852 518		5 852 518	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**4 727 747**	**29 817 154**	**34 544 901**	-		**34 544 901**	**(128 897 427)**		**(163 442 328)**	**(373)%**	**(2 726)%**
Surplus/(Deficit) for the year	**4 727 747**	**29 817 154**	**34 544 901**	-		**34 544 901**	**(128 897 427)**		**(163 442 328)**	**(373)%**	**(2 726)%**
Capital expenditure and funds sources											
Total capital expenditure	5 170 546	-	5 170 546	-		5 170 546	18 293 593		13 123 047	354 %	354 %

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	-	-	-	-		-	(140 446 310)		(140 446 310)	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(11 936 981)		(11 936 981)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(2 325 759)		(2 325 759)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**(154 709 050)**		**(154 709 050)**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	491 571	(491 571)	-	-		-	9 875 931		9 875 931	DIV/0 %	2 009 %
Cash and cash equivalents at year end	**491 571**	**(491 571)**	**-**	**-**		**-**	**(144 833 119)**		**144 833 119**	**DIV/0 %**	**(29 463)%**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.4 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 Years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies

1.5 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

1.5 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The Landfill site asset will be depreciated over its remaining useful life, and in the case of a change in the carrying amount of the asset, will be depreciated over its remaining useful life based on its new carrying amount. Once the asset has reached the end of its useful life, any subsequent changes in the provision will be recognised in surplus or deficit as they occur.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land and Buildings - Land		Indefinate
Land and Buildings - Buildings	Straight line	50 years
Plant and Machinery	Straight line	5 years
Furniture and Fittings	Straight line	7 years
Landfill Site	Straight line	33 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	3 - 5 years
Infrastructure - Electricity	Straight line	5 - 60 years
Emergency Equipment	Straight line	20 years
Infrastructure - Roads	Straight line	2 - 50 years
Infrastructure - Sanitation	Straight line	5 - 100 years
Infrastructure - Water	Straight line	5 - 100 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer Software	indefinite

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

1.7 Heritage assets (continued)

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a entity estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

1.8 Financial instruments (continued)

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

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1.8 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial assets	Financial asset measured at Fair Value
Investments	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Trade Receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilites	Financial liability measured at Fair Value
Other payables	Financial liability measured at amortised cost
Trade payables	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The Municipality measures financial assets at fair value through profit and loss or at amortised cost, or cost. Financial assets under cost are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions.

1.9 Tax

Value added tax

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Discontinued Operations

Discontinued operation is a component of an municipality that has been disposed of and:
- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled municipality acquired exclusively with a view to resale.

A component of an municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

1.14 Impairment of non-cash-generating assets (continued)

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Vested employee benefits are employee benefits that are not conditional on future employment.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

1.16 Employee benefits (continued)

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.16 Employee benefits (continued)

Other post retirement obligations

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries annualy and corresponding liability is raised.

Payment are offset against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefitsupon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.17 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

1.17 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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Mpumalanga Business Unit

1.19 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue arising from the application of the approved rariff of charges is recognised when the service is rendered by applying the relevant authorised tariff.

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

Rendering of service

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transacti,on is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executeds.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Finance income

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.20 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the accumulated surplus in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the accumulated surplus.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the accumulated surplus in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the accumulated surplus.

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

1.26 Irregular expenditure (continued)

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Accumulated Surplus and where recovered, it is subsequently accounted for as revenue in the Accumulated Surplus.

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

1.28 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.30 Government grants and receipts

Income rereived from conditional grants and funding are recognised are recognised as revenue to the extent that the municipality has compiled with any of the criteria, conditions orr obligation embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability recognised. Government grants that are receivables as compensation for the expenses or losses already incurred or purpose of giving immediate fiancial support to the municipality with no furture related cost, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the minicipality's interest it is recognised as interest earned in the Statement of Fianancial Performance.

Figures in Rand	2018	2017

2. New standards and interpretations

2.1 Standards and Interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2099	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2099	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2099	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2099	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

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3. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	68 117 437	(25 729 677)	42 393 087	72 225 346	(23 516 077)	48 709 269

Reconciliation of investment property - 2018

	Opening balance	Disposals	Depreciation	Total
Investment property	45 983 965	(989 984)	(2 600 894)	42 393 087

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Infrastructure - Electricity	227 668 176	(135 443 346)	92 224 830	225 033 619	(120 955 384)	104 078 235
Infrastructure - Roads and Stormwater	500 495 528	(276 945 912)	223 549 616	492 879 560	(262 823 933)	230 055 627
Infrastructure - Sanitation	365 411 444	(199 805 582)	165 605 862	364 074 400	(189 223 223)	174 851 177
Infrastructure - Water	435 442 706	(223 505 735)	211 936 971	437 221 314	(207 827 736)	229 393 578
Community assets/ Buildings	164 662 444	(82 892 257)	81 770 187	164 712 220	(75 279 370)	89 432 850
Computer assets	3 736 656	(2 593 661)	1 142 995	3 283 970	(2 071 758)	1 212 212
Fire equipment	1 710 890	(833 288)	877 602	1 710 890	(741 001)	969 889
machinery and equipment	3 767 656	(2 800 149)	967 507	3 658 037	(2 153 528)	1 504 509
Furniture and office equipment	4 820 886	(3 857 220)	963 666	4 801 866	(3 159 326)	1 642 540
Land	170 185 295	(12 125)	170 173 170	170 190 635	-	170 190 635
Solid waste	4 649 901	(536 516)	4 113 385	5 353 852	(350 520)	5 003 332
Transport assets	27 287 459	(11 538 227)	15 749 232	23 937 459	(7 299 966)	16 637 493
Total	**1 909 839 041**	**(940 764 018)**	**969 075 023**	**1 896 857 822**	**(871 885 746)**	**1 024 972 077**

Included in Other Assets is Computer equipment, Fire Equipment and Other machinery and equipment as per the Fixed Asset Register.

The register required in terms of MFMA is available for inspection at Municipal offices.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Cost adjustment	Disposals	Depreciation	Total
Infrastructure - Electricity	104 078 236	2 638 537	-	(1 016)	(14 490 926)	92 224 831
Infrastructure - Roads and stormwater	230 055 627	7 618 284	-	(488)	(14 125 808)	223 547 615
Infrastructure - Sanitation	174 851 178	1 758 376	-	(71 898)	(10 931 793)	165 605 863
Infrastructure - Water	229 402 579	651 800	-	(853 073)	(17 255 334)	211 945 972
Community assets/ buildings	89 432 850	30 894	-	(75 289)	(7 618 269)	81 770 186
Computer assets	1 212 212	560 008	-	(20 263)	(609 016)	1 142 941
Fire equipment	969 890	-	-	-	(92 288)	877 602
Machinery and equipment	1 504 510	149 240	-	(33 916)	(652 326)	967 508
Furniture and office equipment	1 642 540	24 753	-	(641)	(702 986)	963 666
Land	170 190 635	-	-	(5 340)	(12 125)	170 173 170
Solid waste	5 003 332	-	(703 950)	-	(185 996)	4 113 386
Transport assets	16 637 494	3 350 000	-	-	(4 238 261)	15 749 233
	1 024 981 083	**16 781 892**	**(703 950)**	**(1 061 924)**	**(70 915 128)**	**969 081 973**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Cost adjustment	Disposals	Depreciation	Impairment loss	Total
Infrastructure - Electricity	112 731 039	2 242 421	-	(26 589)	(10 775 527)	(93 108)	104 078 23
Infrastructure - Roads and Stormwater	234 765 614	15 107 026	-	(2 788 671)	(16 254 818)	(773 524)	230 055 62
Infrastructure - Sanitation	181 029 652	4 945 648	-	(20 060)	(10 957 378)	(146 684)	174 851 17
Infrastructure - Water	241 293 229	3 935 204	-	(1 025)	(13 101 545)	(2 723 284)	229 402 57
Community assets/ Buildings	90 131 474	7 176 611	-	-	(7 875 235)	-	89 432 85
Computer assets	1 405 010	635 986	-	(5 940)	(793 875)	(28 969)	1 212 21
Fire equipment	1 051 452	-	-	(86)	(81 476)	-	969 89
Machinery and equipment	1 209 208	984 766	-	(6 465)	(607 298)	(75 701)	1 504 51
Furniture and office euipment	2 073 719	211 822	-	(10 391)	(623 757)	(8 853)	1 642 54
Land	170 108 882	363 753	-	(282 000)	-	-	170 190 63
Solid waste	3 759 677	-	1 449 572	-	(205 917)	-	5 003 33
Transport assets	15 634 191	3 239 723	-	(72 787)	(2 163 633)	-	16 637 49
	1 055 193 147	**38 842 960**	**1 449 572**	**(3 214 014)**	**(63 440 459)**	**(3 850 123)**	**1 024 981 08**

Pledged as security

No assets were pledged as security in the 2017/2018 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2018

	Included within Community	Total
Opening balance	5 140 055	5 140 055
Additions/capital expenditure	1 506 364	1 506 364
	6 646 419	**6 646 419**

Reconciliation of Work-in-Progress 2017

	Included within Community	Total
Opening balance	1 576 331	1 576 331
Additions/capital expenditure	5 140 055	5 140 055
Other movements	(1 576 331)	(1 576 331)
	5 140 055	**5 140 055**

5. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	-	2 032 013	2 032 013	2 139 877	(56 866)	2 083 011

The register required in terms of MFMA is available for inspection at Municipal offices

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	2 083 011	(50 998)	2 032 013

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	2 070 168	63 840	(50 997)	2 083 011

Pledged as security

There are no intangible assets pledged as security.

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6. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	945 362	-	945 362	1 102 112	(27 609)	1 074 503
Historical buildings	156 750	(27 609)	129 141	-	-	-
Total	**1 102 112**	**(27 609)**	**1 074 503**	**1 102 112**	**(27 609)**	**1 074 503**

Reconciliation of heritage assets 2018

	Opening balance	Total
Art Collections, antiquities and exhibits	1 074 503	1 074 503

Reconciliation of heritage assets 2017

	Opening balance	Impairment losses recognised	Total
Art Collections, antiquities and exhibits	1 102 112	(27 609)	1 074 503

7. Other financial assets

	2018	2017
At amortised cost		
Listed investment - Sanlam The number of shares is 2020 calculated closing price of R70.07 (2017:64.7) per share.	142 349	130 896
Current assets		
At FV through Profit and Loss	142 349	130 896

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8. Employee benefit obligations

Post Employment Medical Aid Obligation

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municpality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The municipality has requested Arch Actuarial Consulting to prepare an actuarial valuation of the municipality's liability as at 30 June 2018 based on the post-employment health care benefits. The valuation was done to ensure appropriate provision in accordance with GRAP25. The actuarial valuation method used was the "Projected Unit Credit Method" as prescribed by GRAP25.

Key Assumptions

Assumption	2018 Value p.a.	2017 Value p.a.
Discount rate	9.69%	9.80%
Health care cost inflation rate	7.45%	8.08%
Net-of-health-care-cost-inflation discount rate	*2.08%*	*1.59%*
Maximum subsidy inflation rate	5.21%	5.68%
Net-of-maximum-subsidy-inflation discount rate	*4.26%*	*3.89%*

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The liability at the Valuation Date was recalculated to show the effect of:

(i) A 1% increase and decrease in the assumed rate of health care cost inflation
(ii) A 1% increase and decrease in the discount rate;
(iii) A one-year age reduction in the assumed rates of post-retirement mortality;
(iv) A one-year decrease in the assumed average retirement age; and
(v) A 10% decrease in the assumed proportion of in-service members that continue toreceive the subsidy after retirement.

Assumption	Change	In-servicemembers	Continuationmembers	Total	change %
Central assumptions		35.205	12.240	47.445	
Health care Inflation	+1%	39.341	12.516	51.858	9%
	-1%	30.208	11.759	41.967	-12%
Discount rate	+1%	29.175	11.268	40.443	-15%
	-1%	43.088	13.368	56.456	19%
Post-retirement mortality	-1 yr	36.012	12.619	48.632	3%
Average retirement age	-1 yr	38.333	12.240	50.573	7%
Continuation ofmembership at retirement	-10%	29.856	12.240	42.096	-11%

8. Employee benefit obligations (continued)

Summarises the results of this analysis on the Current-Service and InterestCosts for the year ending 30 June 2019

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2019.

Assumption	Change	CurrentSvc. Cost	InterestCost	Total	change %
Central assumptions		3,768,700	4,547,000	8,315,700	
Health care inflation	+1%	4,268,800	4,974,300	9,243,100	11%
	-1%	3,139,500	4,016,300	7,155,800	-14%
Discount rate	+1%	3,059,200	4,267,800	7,327,000	-12%
	-1%	4,710,600	4,860,600	9,571,200	15%
Post-retirement mortality	-1 yr	3,853,600	4,661,900	8,515,500	2%
Average retirement age	-1 yr	3,849,600	4,850,000	8,699,600	5%
Continuation ofmembership at retirement	-10%	3,231,900	4,028,600	7,260,500	-13%

Summarises the results of this analysis on the Current-Service and Interest Costs for the year ending 30 June 2018:

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2018.

Assumption	Change	CurrentSvc. Cost	InterestCost	Total	change %
Central assumptions		2,903,600	4,135,700	7,039,300	
Health care inflation	+1%	3,231,000	4,465,600	7,696,600	9%
	-1%	2,426,800	3,687,100	6,113,900	-13%
Discount rate	+1%	2,316,100	3,861,000	6,177,100	-12%
	-1%	3,696,000	4,449,400	8,145,400	16%
Post-retirement mortality	-1 yr	2,968,900	4,242,000	7,210,900	2%
Average retirement age	-1 yr	3,008,000	4,378,200	7,386,200	5%
Continuation ofmembership at retirement	-10%	2,438,800	3,607,100	6,045,900	-14%

8. Employee benefit obligations (continued)

Past and Future Changes in the Accrued Liability.

Past year and future projected Liability.

Ye	Year ending30/06/2018	Year ending30/06/2019	Year ending30/06/2020
Opening Accrued Liability	**42,707,594**	**47,445,277**	**54,694,229**
Current-Service Cost	2,903,575	3,768,700	4,133,887
Interest Cost	4,135,678	4,546,960	5,245,622
Expected Contributions (benefits paid)	* (1,020,629)	(1,066,708)	(1,146,178)
Total Annual Expense	**6,018,624**	**7,248,952**	**8,233,331**
Actuarial Loss / (Gain)	**(1,280,941)**		
Closing Accrued Liability	**47,445,277**	**54,694,229**	**62,927,560**

Comparison of assumptions

Assumption	30/06/2017	30/06/2018
Discount rate	9.80%	9.69%
Health care cost inflation rate	8.08%	7.45%
Net-of-health-care-cost-inflation discount rate	*1.59%*	*2.08%*
Maximum subsidy inflation rate	5.68%	5.21%
Net-of-maximum-subsidy-inflation discount rate	*3.89%*	*4.26%*

	2018	2017
Short term employee benefit obligation		
Short term medical aid benefit obligation	1 066 708	1 020 629
Long term medical aid benefit obligation	46 378 569	41 686 965
	47 445 277	**42 707 594**

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Figures in Rand	2018	2017

9. Inventories

Consumables	2 223 756	1 852 305
Water	241 797	153 674
Inventory-RDP Houses	251 990	914 402
	2 717 543	**2 920 381**

Land to the value of R1 340 897.04 (2016) was earmarked to be transferred for RDP houses. R914 402 (2017) will be transfered to RDP houses in the foreseable future.
Consumables include maintenace materials and fuel.

10. Receivables from exchange transactions

Sundry receivables	837 000	2 965 914

11. Receivables from non-exchange transactions

Cost	17 501 983	4 091 583
Impairment Provision	(14 990 949)	(2 864 108)
	2 511 034	**1 227 475**
Other receivables from non-exchange	420 000	265 385
	2 931 034	**1 492 860**

Reconciliation of provision for impairment of receivables from non-exchange transactions

12. VAT receivable

VAT	30 060 405	16 547 907

13. Consumer debtors

Gross balances		
Rates	98 706 278	120 980 420
Electricity	32 548 576	23 670 842
Water	207 348 735	182 793 923
Sewerage	17 310 853	18 503 210
Refuse	14 573 993	16 682 350
Sundry debtors	208 112 930	176 919 770
	578 601 365	**539 550 515**
Less: Allowance for impairment		
Rates	(73 423 597)	(70 110 409)
Electricity	(8 908 493)	(9 325 644)
Water	(114 308 996)	(127 469 199)
Sewerage	(12 997 132)	(15 889 807)
Refuse	(11 232 010)	(13 448 647)
Regional services levies	(124 018 235)	(127 284 477)
	(344 888 463)	**(363 528 183)**

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13. Consumer debtors (continued)

Net balance		
Rates	25 282 681	50 870 011
Electricity	23 640 083	14 345 198
Water	93 039 739	55 324 724
Sewerage	4 313 721	2 613 403
Refuse	3 341 983	3 233 703
Sundry debtors	84 094 695	49 635 293
	233 712 902	**176 022 332**

Rates		
Current (0 -30 days)	5 627 585	1 517 306
31 - 60 days	5 345 617	1 441 282
61 - 90 days	3 778 283	1 459 523
91 - 120 days	3 413 272	1 462 020
121 - 365 days	1 561 733	1 499 551
42742451	5 556 191	43 490 329
	25 282 681	**50 870 011**

Electricity		
Current (0 -30 days)	3 413 179	1 342 866
31 - 60 days	210 400	82 779
61 - 90 days	180 479	71 007
91 - 120 days	228 368	89 848
121 - 365 days	8 072 194	5 517 940
> 365 days	11 535 463	7 240 758
	23 640 083	**14 345 198**

Water		
Current (0 -30 days)	2 764 389	1 234 444
31 - 60 days	2 914 116	1 164 001
61 - 90 days	2 152 733	1 983 653
91 - 120 days	2 371 899	1 071 097
121 - 365 days	18 523 986	9 061 431
> 365 days	64 312 616	40 810 098
	93 039 739	**55 324 724**

Sewerage		
Current (0 -30 days)	93 649	79 229
31 - 60 days	294 673	249 300
61 - 90 days	169 475	143 380
91 - 120 days	185 217	156 698
> 365 days	3 570 707	1 984 796
	4 313 721	**2 613 403**

Refuse		
Current (0 -30 days)	321 087	79 229
31 - 60 days	262 639	249 300
61 - 90 days	581 069	143 380
91 - 120 days	635 042	156 698
121 - 365 days	365 780	932 504
> 365 days	1 176 366	1 672 592
	3 341 983	**3 233 703**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

13. Consumer debtors (continued)

Regional services levies		
Current (0 -30 days)	7 574 943	369 129
31 - 60 days	5 571 893	1 263 016
61 - 90 days	5 516 020	1 250 351
91 - 120 days	10 403 388	1 224 820
121 - 365 days	7 621 432	2 981 239
> 365 days	47 407 019	42 546 738
	84 094 695	**49 635 293**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(363 528 183)	(354 999 744)
Contributions to allowance	18 639 720	(8 528 439)
	(344 888 463)	**(363 528 183)**

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 975	4 975
Bank balances	4 834 723	9 870 956
	4 839 698	**9 875 931**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2018	**30 June 2017**	**30 June 2016**	**30 June 2018**	**30 June 2017**	**30 June 2016**
Standard BANK -Primary Account	284 021	2 029 594	1 398 437	(7 675 284)	9 875 931	(48 173 273)
ABSA BANK	3 001 084	4 961 676	5 852 777	12 524 920	4 961 676	5 852 777
Standard BANK -Small Account	34 584	120 482	-	34 584	120 482	-
Total	**3 319 689**	**7 111 752**	**7 251 214**	**4 884 220**	**14 958 089**	**(42 320 496)**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Finance Management Grant	-	8
Municipal Infrastructure Grant	-	1 735 457
Energy Effeciency Demand Management Grant	-	1 333 213
	-	**3 068 678**

Movement during the year		
Balance at the beginning of the year	3 068 678	44 120
Additions during the year	-	42 042 000
Income recognition during the year	(34 261 000)	(39 017 442)
	3 069 060	**3 068 678**

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Figures in Rand	2018	2017
16. Other financial liabilities		
At amortised cost		
Development Bank of Southern Africa - DBSA 61001053 The loan bears interest at a fixed rate of 6.75% per annum. The loan is repayable in bi-annual installments of R602,592 over an initial period of 8 years. The loan matures on 31 December 2020.	2 731 113	3 703 795
Nedbank Loan The loan bears interest at a fixed rate of 10.03% per annum. The loan is repayable in quarterly installments of R732,668 over an initial period of 8 years. The loan matures on 1 July 2021.	8 429 834	10 489 677
	11 160 947	**14 193 472**
Total other financial liabilities	**11 160 947**	**14 193 472**
Non-current liabilities		
At amortised cost	7 024 291	11 168 956
Current liabilities		
At amortised cost	4 136 656	3 024 516

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Figures in Rand	2018	2017

17. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	5 353 851	-	(703 950)	4 649 901
Annual Bonus	2 114 634	2 907 366	-	5 022 000
	7 468 485	**2 907 366**	**(703 950)**	**9 671 901**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	13 342 815	-	(7 988 963)	5 353 852
Annual Bonus	1 956 132	158 502	-	2 114 634
	15 298 947	**158 502**	**(7 988 963)**	**7 468 486**

	2018	2017
Non-current liabilities	4 649 901	5 353 852
Current liabilities	5 022 000	2 114 634
	9 671 901	**7 468 486**

Environmental rehabilitation provision

The site under consideration is the Delmas disposal site. This site has an operational permit with number B33/2/220/9/P218, issued 8 February 1996 in terms of Section 20 of the Environment Conservation Act,1989.

A report with an indication of the uncertainties about the amount or timing of those outflows and the major assumptions made concerning future events was compiled by JPCE (PTY) LTD (Specialist Consulting Engineers).

Bonus provision

Bonus provision accrue to employees, subject to certain conditions. The provision represents management's best estimate of the amount due to staff at the reporting date.

18. Payables from exchange transactions

	2018	2017
Trade payables	143 217 136	43 907 598
Payments received in advanced - Pre-paid electricity	1 222 013	8 518 733
Payroll related cost control accounts	(6 010 816)	697 033
Retentions	5 098 437	3 886 363
Accrued leave pay	9 379 229	7 421 068
Sundry creditors	60 913 760	14 036 100
Debtors with credit balances	7 869 916	9 374 493
	221 689 675	**87 841 388**

[The fair value of trade and other payables approximates their carrying amounts.

19. Consumer deposits

	2018	2017
Electricity	1 414 579	1 445 272
Water	148 035	151 247
Regional services levies	5 286	5 401
	1 567 900	**1 601 920**

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20. Revenue

Service charges	148 852 163	227 711 117
Rental of facilities and equipment	2 030 057	2 510 523
Interest received (trading)	72 880 695	32 267 297
Agency services	-	17 616 291
Licences and permits	-	2 433 786
Administration and management fees received	4 826	755 570
Fees earned	17 469	824 332
Commissions received	2 419 239	82 952
Discount received	-	39 232
Other income	757	524 573
Interest received - investment	280 292	1 220 531
Property rates	63 704 144	67 796 114
Government grants & subsidies	114 006 188	111 507 297
Public contributions and donations	5 852 518	14 746 791
Fines, Penalties and Forfeits	13 410 069	1 138 472
	423 458 417	**481 174 878**

Administration and management fees received	4 826	755 570
Agency services	-	17 616 291
Commissions received	2 419 239	82 952
Discount received	-	39 232
Fees earned	17 469	824 332
Interest received (trading)	72 880 695	32 267 297
Interest received - investment	280 292	1 220 531
Licences and permits	-	2 433 786
Other income	757	524 573
Rental of facilities and equipment	2 030 057	2 510 523
Service charges	148 852 163	227 711 117
The amount included in revenue arising from exchanges of goods or services are as follows:		
	226 485 498	**285 986 204**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	63 704 144	67 796 114
Transfer revenue		
Government grants & subsidies	114 006 188	111 507 297
Public contributions and donations	5 852 518	14 746 791
Fines, Penalties and Forfeits	13 410 069	1 138 472
	196 972 919	**195 188 674**

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21. Service charges

Sale of electricity	106 530 615	157 072 134
Sale of water	31 541 212	42 921 480
Sewerage and sanitation charges	5 011 439	12 812 926
Refuse removal	5 768 897	14 904 577
	148 852 163	**227 711 117**

22. Rental of facilities and equipment

Rental of facilities and equipment	2 030 057	2 510 523

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

23. Property rates

Rates received

	2018	2017
Residential	14 515 449	59 840 907
Government	8 173 165	5 580
Small holdings and farms	23 062 530	6 042 648
Property rates 4	17 953 000	1 906 979
	63 704 144	**67 796 114**

24. Grants and subsidies paid

	2018	2017
Other subsidies		
Pauper funerals	-	47 200
Indigent funerals	-	744 100
Communal taps	-	4 026
IEC Office	-	465 373
	-	**1 260 699**

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Figures in Rand	2018	2017

25. Government grants and subsidies

Operating grants

Equitable share	76 676 000	72 949 000
Finance Management Grant	1 700 000	1 625 000
Municipal Systems Improvement Grant	-	465
Expended Puplic Works Programme Grant	2 275 000	2 040 000
Energy Efficiency Management Grant	6 333 335	6 666 665
	86 984 335	**83 281 130**

Capital grants

Municipal Infrastructure Grant	27 021 853	28 226 167
	114 006 188	**111 507 297**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	34 261 000	38 523 538
Unconditional grants received	76 676 000	72 949 000
	110 937 000	**111 472 538**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Equitable Share

Balance unspent at beginning of year	8	-
Current-year receipts	76 676 000	72 949 000
Conditions met - transferred to revenue	(76 676 000)	(72 948 992)
	-	**8**

Municipal Infrastructure Grant

Balance unspent at beginning of year	1 735 845	2 185 592
Current-year receipts	25 286 000	30 377 000
Conditions met - transferred to revenue	(27 021 845)	(30 826 747)
	-	**1 735 845**

Conditions still to be met - remain liabilities (see note 15).

Financial Management Grant(FMG)

Current-year receipts	1 700 000	1 625 000
Conditions met - transferred to revenue	(1 700 000)	(1 625 000)
	-	-

Municipal Systems Infrastructure Grant (MSIG)

Expanded Public Works Grant (EPWP)

Current-year receipts	2 275 000	2 040 000
Conditions met - transferred to revenue	(2 275 000)	(2 040 000)
	-	-

Figures in Rand	2018	2017

25. Government grants and subsidies (continued)

Municipal Infrastructure Support Agency Grant

Energy Efficiency Demand Management System Grant

Balance unspent at beginning of year	1 333 334	-
Current-year receipts	5 000 000	8 000 000
Conditions met - transferred to revenue	(6 333 334)	(6 666 666)
	-	**1 333 334**

Conditions still to be met - remain liabilities (see note 15).

Donations from District Municipality

26. Public contributions and donations

Public contributions and donations	5 852 518	14 746 791

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Employee related costs

Basic	76 586 470	78 428 753
Medical aid	6 831 703	5 667 683
UIF	605 475	630 019
SDL	1 448 402	1 039 637
Other payroll levies	34 627	38 931
Pension and provident fund contributions	15 116 913	14 833 525
Standby Allowance	4 179 215	3 944 736
Defined obligation plans	4 737 683	1 963 930
Travel and motor car allowances	6 772 493	5 527 282
Overtime payments	7 817 056	7 332 117
Long-service awards	706 766	(552 825)
Housing benefits and allowances	1 547 026	1 019 167
Annual Bonus	10 123 629	4 867 525
Provision for leave expense	1 967 720	1 369 095
	138 475 178	**126 109 575**

Remuneration of Municipal Manager

Annual Remuneration	442 503	1 110 316
Car Allowance	20 000	120 000
Acting Allowance	802 206	150 781
	784 540	**1 537 940**

Remuneration of Chief Finance Officer

Annual Remuneration	840 688	362 067
Car Allowance	102 000	51 000
Acting Allowance	12 397	406 910
	955 085	**1 312 928**

Director of Technical Services

Annual Remuneration	-	529 677
Car Allowance	-	91 000
Contributions to UIF, Medical and Pension Funds	-	35 000
Acting Allowance	784 540	297 961
	784 540	**1 334 680**

Director of Corporate Services

Annual Remuneration	1 153 489	978 167
Car Allowance	102 000	102 000
Acting Allowance	-	34 602
	1 255 489	**1 274 773**

Director: Community and Social Services

Annual Remuneration	248 664	718 946
Car Allowance	24 000	121 180
Acting Allowance	544 759	88 374
	817 423	**1 245 085**

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Figures in Rand	2018	2017

28. Remuneration of Councillors

Salaries	4 824 979	4 552 560
Pension contribution	672 504	669 220
Travel allowance	1 358 422	1 343 288
Cell phone allowance	601 800	447 468
Medical aid	268 154	301 896
	7 725 859	**7 314 432**

Remuneration of the Mayor

Salaries	528 335	494 440
Pension Contribution	75 059	42 016
Travel Allowance	155 392	73 617
Cell Phone Allowance	35 400	151 602
Medical Aid	46 128	24 790
	840 314	**786 465**

Remuneration of the Speaker

Salaries	412 837	391 952
Pension Contribution	58 296	38 443
Travel Allowance	124 313	58 263
Cell Phone Allowance	35 400	121 282
Medical Aid	50 298	24 790
	681 144	**634 730**

Remuneration of the Chief Whip

Salaries	378 458	353 734
Pension Contribution	51 829	58 848
Travel Allowance	116 545	51 187
Cell Phone Allowance	35 400	113 702
Medical Aid	59 106	24 790
	641 338	**602 261**

Remuneration of Other Councillors

Salaries	3 505 349	3 312 334
Pension Contribution	487 320	188 843
Travel Allowance	962 172	486 153
Medical Aid	112 622	373 098
Cellphone allowance	495 600	531 000
	5 563 063	**4 891 428**

29. Depreciation and amortisation

Property, plant and equipment	70 915 128	63 146 110
Investment property	2 600 894	2 397 408
Heritage Assets	-	27 534
	73 516 022	**65 571 052**

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30. Impairment of assets

Impairments

Impairment of assets	-	4 109 264

Figures in Rand	2018	2017

31. Finance costs

Non-current borrowings	2 145 996	1 154 269

32. Debt impairment

Debt impairment	3 198 252	(8 520 439)

33. Bulk purchases

Electricity	109 427 699	90 773 644
Water	76 220 337	41 442 575
	185 648 036	**132 216 219**

Electricity Distribution Losses - Units		
Purchased	118 328 889	111 669 350
Sold	(92 407 152)	(99 590 161)
Subtotal	25 921 737	12 079 189
	25 921 737	**12 079 189**

Water-Distribution Losses		
Purchased	8 825 098	41 398 997
Pumped in boreholes	133 270	1 204 956
Subtotal	8 958 368	42 603 953
Less: Departmental usage	(52 113)	(854 212)
	5 834 173	**3 960 200**

Electricity distribution losses amounted to R23 971 796.39 (22%) (2017: R9 818 916 (10.82%)and water distribution losses amounted to R54 220 999(70%) (2017: R3 555 647(8.58%))

34. Contracted services

Presented previously		
Information Technology Services	-	2 609 040
Fleet Services	-	7 913 044
Operating Leases	-	1 382 582
Specialist Services	-	9 780 504
Other Contractors	-	453 676
Outsourced Services		
Animal Care	110 826	30 658
Burial Services	76 340	-
Business and Advisory	3 735 384	997 365
Personnel and Labour	563 686	-
Refuse Removal	1 955 411	2 223 827
Security Services	5 262 709	-
Consultants and Professional Services		
Business and Advisory	13 904 525	201 224
Infrastructure and Planning	106 052	-
Laboratory Services	629 611	11 283
Legal Cost	2 930 565	-

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

34. Contracted services (continued)

Contractors		
Bore Waterhole Drilling	1 571 834	335 666
Employee Wellness	144 102	-
Gardening Services	955	-
Maintenance of Buildings and Facilities	152 284	226 018
Maintenance of Equipment	1 026 661	15 321 635
Maintenance of Unspecified Assets	18 023 878	14 061 077
Pest Control and Fumigation	228	-
	50 195 051	**55 547 599**

35. Operational Cost

Auditors remuneration	2 495 887	4 268 717
Bank charges	287 072	281 730
Consumables	2 042 816	1 684 022
Entertainment	292 628	338 407
Fines and penalties	12 425	-
Hire	308 000	-
Insurance	1 443 956	-
ICT expenses	5 466 267	3 430 300
Marketing and communication	-	177 336
Printing and stationery	1 949 738	1 181 007
Protective clothing	1 140 305	1 165 282
Telephone and fax	1 358 772	1 066 753
Training	-	2 917 785
Travel - local	1 619 729	1 945 221
Insurance	82 826	654 564
Other expenses	20 362 403	8 321 470
	38 862 824	**27 432 594**

36. Fair value adjustments

Other financial assets		
• SANLAM Investment (Designated at FV through P&L)	-	8 969

37. Auditors' remuneration

Fees	2 495 887	4 268 717

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

38. Cash (used in) generated from operations

Deficit	(52 171 820)	(16 320 631)
Adjustments for:		
Depreciation and amortisation	53 566 079	65 571 052
Gain on sale of assets and liabilities	-	2 700 571
Fair value adjustments	-	(8 969)
Finance costs	1 154 269	1 625 933
Interest income	(32 267 297)	(28 576 031)
Impairment deficit	-	4 109 264
Bad debts written off	(75 707 477)	68 215 979
Movements in Long service awards	(706 766)	(552 825)
Movements in retirement benefit assets and liabilities	4 737 683	42 707 594
Movements in provisions	(8 189 869)	17 861 770
Discount received	-	(39 232)
Changes in working capital:		
Inventories	(11 383 584)	(23 623 085)
Receivables from exchange transactions	143 316	143 316
Consumer debtors	(144 220 726)	(75 041 315)
Other receivables from non-exchange transactions	(1 733 209)	(33 020 726)
Payables from exchange transactions	133 848 287	87 841 388
VAT	(13 512 498)	(16 547 907)
Unspent conditional grants and receipts	6 031 322	3 068 678
Consumer deposits	(34 020)	1 601 920
	(140 446 310)	**101 716 744**

39. Comparative figures

Certain comparative figures were adjusted.

The change to the figures was as a result of the AG findings for 2016/2017 financial year for which the adjustments were not audited and sum of the comparative figures to the current year were done for compliance with the mSCOA Regulation..

The effects of the the adjustments and reclassification are as follows:

40. Unauthorised expenditure

Opening Balance	508 681 715	492 124 914
Current year expenditure	32 696 356	16 556 801
Less: Amount approved / witten off by council	(492 124 914)	-
	49 253 157	**508 681 715**

41. Fruitless and wasteful expenditure

Opening Balance	4 048 605	1 427 815
SARS- PAYE	23 976	559 673
Rand Water Interest	1 551 937	-
Eskom Interest	4 780 077	2 034 810
Less: Amount approved/ written off by council	(1 427 815)	-
Interest on DBSA loan arrear account	-	26 307
	8 976 780	**4 048 605**

42. Irregular expenditure

Opening balance	42 642 676	28 952 434
Add: Irregular Expenditure - current year	9 080 647	13 690 242
Less: Amounts approved/written off by council	(25 282 365)	-
	26 440 958	**42 642 676**

The irregular expenditure was incured as the result of non-compliance with the SCM policies and procedures.

The investigation for unauthorised, irregular, fruitless and wasteful expenditure was conducted and council has approved/ condoned the UIFW incurred during the 15/16 financial year.

43. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

DATE	SUPPLIER	SERVICE DESCRIPTION	SERVICE RISK MITIGATING	REASON FOR DEVIATION	AMOUNT
09/08/2017	Banabamahlako trading and projects	Emergency repair of sewer pump at ext 5 sewer pump station	Water and sanitation	SCM Sec 36 (1) (a) (i) in an emergency case	R118 000.00
09/08/2017	Kopano constructing	Emergency repair of the pump at golf course pump station	Water and sanitation	SCM Sec 36 (1) (a)(i) in an emergency	R119 580.00
21/08/2017	Ml matemeincl attorneys	Legal advice on two employee contracts	Corporate services	SCM Sec 36 (1) (v) impractical to follow the procurement process	R28 000.00
05/10/2017	Jas printer intergration cc	4 consumables mann tally t1600 ribbons	Financial services	SCM Sec 36 (1) (v) impractical to follow the procurement process	R5 472.00
06/10/2017	Dominion engineering (pty)ltd	Supply and delivery of a 100ka 11000v/400v transformer	Technical services	SCM Sec 36 (1) (a) is an emergency	R70 452.20
03/11/2017	Geo mat trading and projects	Supply and delivery of emergency transformers 11kv/415v315 kva	Technical services	SCM Sec 36 (1) (a) is an emergency	R250 000.00
06/11/2017	Austens lock co (pty)ltd	Emergency unlocking of the giant strong room doors and spare keys	Social services	SCM Sec 36 (1) (a) is an emergency	R8 050.00
27/11/2017	Government printing works	Property rates by law gazette	Financial services	SCM Sec 36(1)(v) impractical to follow the procurement process	R3000

43. Deviation from supply chain management regulations (continued)

19/10/2017	Mayivuthe Contractors	Supply and delivery of 200kva 11kv/415v transformer at ext 7 (N12)	Technical services	SCM Sec 36(1)(i) is an emergency	R119 700.00
29/01/2018	Steynbrosdrukkers printers	Printing of summonses books for traffic officers x100	Social services	SCM Sec 36(1)(v) impractical to follow the procurement process	R14 164.50
28/03/2018	Mudungwe projects	Emergency supply and delivery of 200kva 11kva/400v transformer.	Technical services	SCM Sec 36(1)(i) is an emergency	R94 500.00
28/03/2018	Sthebu Holdings	Emergency hiring of a combination truck for two days.	Technical services	SCM Sec 36(1)(i) is an emergency	R31 500.00
19/04/2018	Supplycor cc	Supply and delivery of specialized fire department uniform.	Social services	SCM Sec 36(1)(iii) specialized goods	R202 611.92
10/05/2018	Cebinelisa trading and projects	Emergency supply and delivery of common base prepaid meters.	Technical services	SCM Sec 36(1)(i) is an emergency	R160 000.00
10/05/2018	Jasino general services	Emergency supply and delivery of split din prepaid meters.	Technical services	SCM Sec 36(1)(i) is an emergency	R179 400.00
TOTAL **R1 404 430.42**					

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44. Long service awards

Short term portion	587 379	512 126
Long Term Portion	5 559 525	4 928 012
	6 146 904	**5 440 138**

45. Interest Income

Interest from debtors	41 177 243	63 970 749

46. Agency Services

Vehicle registration levies	-	17 616 291

47. Operating lease

The operating lease comprise of the following:		
Vehicle leasess	993 585	1 363 775
Photocopy machinery	644 506	1 052 101
Other rentals	511 569	350 101
	2 149 660	**2 765 977**

48. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	-	4 110 362

Total capital commitments		
Already contracted for but not provided for	-	4 110 362

Authorised operational expenditure

Already contracted for but not provided for		
• ICT Support	1 720 698	2 259 840
• Operating leases	700 665	1 471 138
• Fuel and diesel	1 021 181	1 021 181
• Other Commitments	13 835 641	8 324 915
	17 278 185	**13 077 074**

Total operational commitments		
Already contracted for but not provided for	17 278 185	13 077 074

Total commitments

Total commitments		
Authorised capital expenditure	-	4 110 362
Authorised operational expenditure	17 278 185	13 077 074
	17 278 185	**17 187 436**

Operating leases - Minimum lease payments

Minimum lease payments due		
- within one year	-	106 104

Operating lease payments represent rentals payable by the municipality for rental of vehicles. The contract end

49. Contingencies

The matters disclosed below are possible litigations to be charged against municipality which have not been finalis5ed as yet.

VKLM Vs L Pretorius	6 500 000	6 500 000
VKLM Vs Telkom Soc	171 227	171 277
VKLM Vs Trio Supplies	2 000 000	2 000 000
VKLM Vs J Makhabane	271 000	271 000
VKLM Vs Abram Masango	195 004	195 004
	9 137 231	**9 137 281**

- VKLM vs L. Pretorius- Civil claim for damages arising out of the outbreak of typhoid.
- VKLM vs Telkom Soc- Civil claim for damages arising from the damage of the telephone line.
- VKLM vs Trio Supplies-A claim resulted from the supplier, Trio Supplies, claiming that goods were delivered to the Municipality and have not been paid.
- VKLM vs J Makhabane -Civil Claim arising from a motor vehicle accident.
- VKLM vs Abram Masango- A possible claim due to illegal demolition of erected shacks structures.

50. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds not available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

51. Fines and Penalties

Heading		
Traffic and library fines	13 410 069	1 138 472

Notes to the Annual Financial Statements

Figures in Rand

52. Licences and permits

Heading		
VEHICLE PERMITS;	-	1 214 912
LICENCE - DRIVER;	-	1 205 233
SUPPLY OF INF:VEHICLE ACCIDE	-	10 667
LICENCE - TRADING;	-	2 974
	-	2 433 786

53. Budget differences

Material differences between budget and actual amounts

54.1

1. **Rental of facilities**- New agreement for surface rental resulted in a lessor rental amount received of R2 Million.

2 **Interest Received (Trade debtors)** – R11.8 Million interest received due to increase in outstanding debtors accounts and increase in prime rate

3 **Interest received: Investment**- The reduced in interest was due to the low cash available to the municipality bank account which resulted the municipality receiving low interest.

4 **Property rates**- The increase in property rates was due to the reason of a new system that was appointed for property valuation and the alignment of billing to the valuation roll.

5. **Public Contribution**- Additional assets were transferred from Nkangala District Municipality than planned in the budget.

6. **Fines and Penalties**- The increase on fines and penalties is due to more fines that were issued for traffic fines for the financial year 2017/18.

7 **Depreciation**- The increase in depreciation was due to the reason that the municipality budget does not take the assets depreciation but only the budgeted depreciation which is estimated to be accounted by the municipality at year end

8. **Bulk purchases**- The municipality only budget for the bulk purchases for water and electricity to be bought for the financial year 2017/18 but due to the unforeseen reason the municipality ended up purchasing more on water since the municipality boreholes are not currently working to reduce the expenditure on rand water account.

54. Other revenue

Administration and management fees received - third party	4 826	755 570
Fees earned	17 469	824 332
Commissions received	2 419 239	82 952
Discount received	-	39 232
Other income	757	524 573
	2 442 291	2 226 659

55. Investment revenue

Interest revenue		
Bank	280 292	1 220 531

Figures in Rand

56. Prior period errors

The municipality made the following adjustments to the figures reported previously.
Some changes made to the figures was as a result of the AG findings for 2016/2017 financial year for which the adjustments were not audited.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Receivables from non exchange	-	(32 609 033)
Consumer debtors	-	8 907 629
Cash and cash equivalent	-	9 384 360
Payables from exchange	-	18 537 851
Debt impairment	-	89 535 961
Provision for Environmental Rehabilatation	-	10 234 782
Property plant and equipment	-	(58 411 268)
Accumulated surplus	-	26 740 298
	-	-

57. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Audit fees incurred during the financial year	5 456 267	-
Amount paid - current year	(3 011 002)	-
	2 445 265	-

PAYE and UIF

Current year subscription / fee	17 240 636	-
Amount paid - current year	(8 313 666)	-
	8 926 970	-

Pension and Medical Aid Deductions

Current year subscription / fee	33 022 988	-
Amount paid - current year	(33 022 988)	-
	-	-

VAT

VAT receivable	30 060 405	16 547 907

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

57. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018		Outstanding more than 90 days R	Total R
EZEKIEL MHLUPHEHI SEKHUKHUN	-	12 494	12 494

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

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